

**COMMISSION TO STUDY THE FEASIBILITY OF PUBLIC FUNDING OF
STATE ELECTION CAMPAIGNS—Chapter 55, Laws of 2008**

**Minutes of Subcommittee on Funding Mechanisms
October 24, 2008**

Commissioner Comstock-Gay called the meeting to order at 10:35 a.m. Also in attendance were Commissioners Hilton, Honigberg, and Rubens.

Commissioner Comstock-Gay set forth an agenda to discuss the possible sources of funding not discussed at the previous meeting and to identify those sources that the subcommittee would recommend to the full Commission.

A. Increase motor vehicle and civil fines by 10%. Based on memo from Pam Smarling, motor vehicle fines currently go to the general fund. Under current law, they are scheduled to start going to the highway fund starting 7/1/09. They run between \$19 million and \$20 million each year. Civil fines are approximately \$3 million per year. A 10% increase would generate approximately \$2.3 million. Factors in favor of this source include AZ's use of exactly this source for its public funding system, and the fact that such fines are "voluntary," in that their liability for them is in the payer's control.

- Subcommittee members believe this source of funds should be recommended to the full Commission.

B. Impose sales tax on discretionary items. Commissioners Rubens and Honigberg described past discussions in the legislature of the possible imposition of a sales tax. It is a political non-starter. In addition, it is regressive, unless the exemptions are so extensive that the rate has to be extraordinarily high. If limited to "luxuries," there will be disputes over what is included and will also limit the amount of money that could come from the tax.

- Subcommittee members agreed that this source should not be recommended.

C. Tax campaign consultant income. While the political consultants are an unpopular group and are directly tied to the campaign finance system, the subcommittee identified a number of reasons why this would not be a good funding source. First, income taxes are assessed where the income is earned in the first instance and that could limit the amount generated. In addition, the tax would only be imposed on political speech and not on other types, which would implicate first amendment and equal protection issues. Finally, this would have the effect of making campaigns more expensive, which is directly contrary to one of the purposes of having a public funding system.

- Subcommittee members agreed that this source should not be recommended.

D. Impose a fee on bids for state contracts. Subcommittee members discussed how such a fee would be passed through in the prices bid by those wanting to do business with the State and how, if the fees could not be passed through, this could limit the number of companies willing to bid. This would have a negative effect on the State.

- Subcommittee members agreed that this source should not be recommended.

E. Impose fees on regulated industries. Assuming this referred mainly to industries regulated by the Public Utilities Commission, such fees would be passed through to consumers, which would likely make this funding source regressive.

- Subcommittee members agreed that this source should not be recommended.

F. Jock taxes. There are two ways to view such taxes. One would be as an income tax on the professional athletes who perform in the State (e.g., the NASCAR drivers and AA baseball players). Without a general tax on earned income, however, such a tax would not be constitutional. The other way to look at this issue would be as a tax on tickets to sporting events. Commissioners felt this would be wildly unpopular and had no nexus to public funding of elections.

- Subcommittee members agreed that this source should not be recommended.

G. Establish “Democracy Endowment.” Commissioner Comstock-Gay expressed the view that private money will not be a viable long-term funding source, but that one or more foundations or wealthy individuals could be asked to provide start-up funds to assist in the establishment of a system of public funding in New Hampshire. He believes that the amount available will not exceed \$100,000, but that is the kind of money the State should be seeking.

- Subcommittee members agreed that this source of funds should be recommended to the full Commission.

H. Allow large contributions, but require that some percentage be paid into the public financing system. Commissioner Rubens believes this would be a way to take advantage of behavior that people want to engage in – make large contributions to political campaigns – for the public good of funding other political campaigns. The other commissioners were uncomfortable with the idea as being a “deal with the devil” and inconsistent with the overall purposes of public funding.

- Subcommittee members agreed to bring this to the full Commission for further discussion.

I. Keep fund balance in fund. Commissioners discussed the need to ensure that the fund does not lapse and that income earned on the money be kept in the fund.

- Subcommittee members agreed that this structure of the fund should be recommended to the full Commission

J. Tax on advertising income. No one on the subcommittee had any idea how much might be available from such a tax. They also expressed concerns that the tax might be preempted by federal law and that, if allowed, would make elections more expensive.

- Subcommittee members agreed that this source should not be recommended.

K. Charge a fee for the right to post signs on state property. Commissioners identified two major problems with this idea. First, there is no way to know how much it

could generate and, if high enough to generate real income, would make campaigns more expensive. Second, it would be almost impossible to enforce without significant additional efforts by state and local law enforcement personnel.

- Subcommittee members agreed that this source should not be recommended.

L. Private bank accounts. Subcommittee members viewed this as similar either to private funds or to the establishment of a state segregated fund. Both topics were discussed previously.

- Subcommittee members agreed that this source should not be recommended.

M. Providing free or reduced-cost printing through State Prison. Commission members believe this is an idea worth exploring, but cannot quantify how it would affect the public funding system or whether it would have a negative effect on Prison Industries.

- Subcommittee members agreed that this issue should be discussed further, perhaps as an additional item for the legislature to consider.

N. In-kind contributions. In-kind contributions are allowed under current law but must be quantified and reported, and they must comply with the contribution limits. As such, they would need to be accounted for in some way under a public financing system.

- Subcommittee members agreed that this issue is broader than the current discussion and is not necessarily correctly viewed as a source of funds.

O. Imposing a head tax. There is much to be said for imposing a tax on the broadest possible base, but head taxes have been out of style for decades and it is highly unlikely that the legislature would want to move in that direction.

- Subcommittee members agreed that this source should not be recommended.

P. Continued discussion of “green source” like plastic bag assessment, bottle deposits, and tipping fee surcharges. The subcommittee discussed the competing demands on funds generated by such “green” assessments and the ways in which introducing them into a discussion of public funding could end up derailing the process. In addition, tipping fees on disposers of waste could have a negative effect on the viability of those businesses. At the same time, such sources have a lot of popular support and there is a demonstrated record of success with plastic bag assessments. While the revenue decreases after the initial imposition of the fee, it does not go to zero and, if the numbers the Commission has seen are correct, could make a real contribution for years.

- Subcommittee members agreed that this source of funds should be discussed further by the full Commission.

At approximately 12:30, the subcommittee adjourned to join the rest of the Commission members for a brief meeting.

Respectfully submitted by Commissioner Honigberg.